

Message Text

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ORIGIN NEA-10

INFO OCT-01 EUR-12 IO-13 ISO-00 H-01 SS-15 L-03 FEA-01
ERDA-05 AID-05 CEA-01 CIAE-00 COME-00 EPG-02
DODE-00 EB-07 FPC-01 INR-07 INT-05 NSAE-00 NSC-05
OMB-01 PM-04 OES-07 SP-02 STR-04 TRSE-00 ACDA-07
DLOS-09 SSO-00 USIE-00 INRE-00 NSCE-00 /128 R

DRAFTED BY NEA:NAVELIOTES:PAW
APPROVED BY NEA:SSOBER
H:RFLATEN (.NFO)
P: JFORBES (INFO)
L/NEA:DSMALL

-----020034Z 029466 /64

O 012357Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY TUNIS IMMEDIATE
INFO AMEMBASSY TRIPOLI IMMEDIATE
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION USUN NY
AMEMBASSY LONDON

C O N F I D E N T I A L STATE 126818

E.O. 11652:GDS

TAGS: PLOS, ENRG, TS, LY, PBOR, US

SUBJECT: MEETING WITH READING AND BATES: CONTINENTAL
SHELF DISPUTE

1. READING AND BATES' SENIOR MANAGEMENT (THORNTON,
PRESIDENT, SAUNDERS, COUNSEL, AND KENT, PRESIDENT OPERATING
COMPANY--ALL THREE ARE DIRECTORS OF PARENT FIRM) MET 4:00
TO 7:00 P.M. MAY 31 IN TULSA WITH AMBASSADOR ALI HEDDA AND
COLLEAGUES (INCLUDING PRESIDENT OF TUNISIAN NATIONAL OIL
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COMPANY), DEPOFFS VELIOTES (NEA) AND SMALL (L). SENATOR
BARTLETT, WHO ARRANGED MEETING, WAS ALSO PRESENT AND
PARTICIPATED IN DISCUSSION THROUGHOUT MEETING.

2. AFTER EXHAUSTIVE DISCUSSION OF PROBLEMS AND REAL
POTENTIAL FOR ARMED ACTION AND CONSEQUENT DANGER FOR
AMERICAN-OWNED PROPERTY AND LIVES OF AMERICAN CITIZENS ON

RIG (AMBASSADOR HEDDA DELIVERED IMPASSIONED EXPOSITION RE THIS POSSIBILITY), COMPANY OFFICIALS CAUCUSED SEPARATELY TO DISCUSS SITUATION. ON THEIR RETURN THEY MADE FOLLOWING "PROPOSAL."

-- THE COMPANY WOULD CONTINUE PREPARATORY WORK WHICH WAS INTERRUPTED BECAUSE OF MEETING. COMPANY EMPHASIZED THAT THIS WOULD INVOLVE WORKING AT DEPTHS "THOUSANDS OF FEET"

FROM ANY POSSIBLE OIL.

-- MEANWHILE, COMPANY WOULD DISCUSS SITUATION WITH ITS SUPPLIERS AND LIBYAN NATIONAL OIL COMPANY.

-- COMPANY WILL BE BACK IN TOUCH WITH DEPARTMENT WITHIN TEN DAYS AT MOST. (COMPANY MAINTAINS IT MUST HAVE TIME TO SEND SENIOR OFFICERS TO TRIPOLI, VISAS, ETC. AND POSSIBLY ALSO FOR VISIT OF SENIOR NOC OFFICERS TO TULSA. COMPANY ALSO WAS ADAMANT THAT DRILLING WOULD BE NOWHERE NEAR OIL LEVEL IN SHORT TERM, CLAIMING THAT 45 DAYS REQUIRED TO REACH LEVELS WHERE STRIKE MIGHT OCCUR.)

3. AMBASSADOR HEDDA REACTED STRONGLY AGAINST COMPANY POSITION, INSISTING THAT COMPANY SHOULD AT LEAST SUSPEND TOTAL OPERATIONS UNTIL IT MADE ITS FINAL DECISION. OTHERWISE, GOT WOULD CONSIDER IT WAS FACED WITH FAIT ACCOMPLI AND HE REPEATED REAL POSSIBILITY OF ARMED ACT.

4. COMPANY OFFICIALS IN REPLY EMPHASIZED THAT THEY NEEDED SOME TIME TO SET THINGS "STRAIGHT." THEY EMPHASIZED THAT FINANCIAL PENALTIES FOR NON-PERFORMANCE OF CONTRACT WOULD CONFIDENTIAL

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BE MUCH HIGHER IF COMPANY WERE TO UNILATERALLY SUSPEND OPERATIONS DURING NEXT TEN DAYS; ALSO, COMPANY CONCERNED THAT QUICK UNILATERAL ACTION WITHOUT PRIOR PREPARATION WITH LIBYANS COULD RESULT IN LIBYAN REACTION AND THREATENING POSTURE AS EXTREME AS THAT OF GOT.

5. THIS IS WHERE MEETING ENDED, WITH AMBASSADOR HEDDA MAKING NO PROMISES WITH RESPECT TO HIS RECOMMENDATIONS TO TUNIS NOR POSSIBLE REACTION OF HIS GOVERNMENT TO COMPANY PROPOSAL. VELIOTES ASKED HEDDA TO INCLUDE IN HIS REPORT TO TUNIS DEPARTMENT REQUEST THAT TUNISIAN GOVERNMENT KEEP ITS COOL AND DO NOTHING RASH RE RIG AND AWAIT COMPANY RESPONSE.

6. COMMENT: THIS IS HIGHLY COMPRESSED SUMMARY OF VERY LIVELY GIVE-AND-TAKE. UNDERLYING THEME OF ENTIRE DISCUSSION WAS DEPARTMENT POSITION THAT, GIVEN UNCERTAINTY AND RISK IN CIRCUMSTANCES, RIG SHOULD WITHDRAW FROM DISPUTED AREA. SENATOR BARTLETT EXTREMELY HELPFUL AND

SUPPORTIVE, PARTICULARLY IN SKETCHING BROADER POLICY ASPECTS OF ISSUES INVOLVED. BASED ON THIS EXPERIENCE, OUR GUESS IS THAT COMPANY IS QUITE UNHAPPY ABOUT SITUATION IN WHICH IT FINDS ITSELF AND WILL USE NEXT FEW DAYS IN ORDER TO TRY TO FIND WAY OUT WITHOUT EXCESSIVE FINANCIAL PENALTIES. THEY ARE SINCERELY CONCERNED ABOUT POSSIBILITY OF HOSTILE ACTION AGAINST RIG AND, IN ANSWER TO QUESTIONS IN PRIVATE SESSION (I.E., AMERICANS ONLY), DEPOFFS TOLD THEM THAT THEY UNABLE TO EVALUATE DEGREE OF RISK INVOLVED ALTHOUGH TO JUDGE FROM REPORTS FROM TUNIS AND STATEMENTS

OF AMBASSADOR HEDDA, TUNIS APPARENTLY MEANT BUSINESS. COMPANY WAS OBVIOUSLY RELIEVED TO LEARN THAT WE HAD REQUESTED HEDDA TO INCLUDE IN HIS REPORT OUR REQUEST THAT THE GOT KEEP ITS COOL DURING NEXT TEN DAYS, AT LEAST. END COMMENT.

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7. YOU SHOULD SEE APPROPRIATE GOT OFFICIALS AND PASS ON TO THEM SUBSTANCE OF THIS TELEGRAM AND CONFIRM REQUEST THAT THERE BE NO RASH ACTION IN THIS TIME PERIOD. IN DISCUSSING SITUATION, YOU SHOULD BE FRANK TO STATE THAT WE ARE NOT ABLE TO PREDICT COMPANY'S FINAL DECISION IN THIS MATTER BUT WE BELIEVE COMPANY MANAGEMENT (PARTICULARLY THE MORE SENIOR OFFICERS WHO WERE NOT INVOLVED IN ACTUALLY MAKING THIS DECISION IN THE FIRST PLACE) WILL BE MAKING AN INTENSIVE GOOD-FAITH EFFORT TO FIND A WAY OUT.

8. READING AND BATES' PRESIDENT THORNTON HAS JUST CALLED VELIOTES TO INFORM DEPARTMENT OF HIS PLANS PERSONALLY TO TRAVEL TO LONDON OR, IF NECESSARY, TRIPOLI TO MEET WITH LIBYAN OIL COMPANY OFFICERS ASAP. (SEE SEPTTEL TO TRIPOLI.) IT IS IMPORTANT THAT DEPARTMENT BE ABLE TO REASSURE THORNTON RE GOT INTENTIONS DURING NEXT TEN DAYS ASAP. PLEASE ADVISE URGENTLY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: OFFSHORE DRILLING, PETROLEUM INDUSTRY, AMBASSADORS, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE126818
Document Source: CORE
Document Unique ID: 00
Drafter: NAVELIOTES:PAW
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770195-1041
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t197706101/aaaadkdo.tel
Line Count: 158
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: dad20773-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1997292
Secure: OPEN
Status: NATIVE
Subject: MEETING WITH READING AND BATES: CONTINENTAL SHELF DISPUTE
TAGS: PLOS, ENRG, PBOR, TS, LY, US, (HEDDA, ALI)
To: TUNIS
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/dad20773-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009